

THE ANDREW W. MELLON FOUNDATION

INTELLECTUAL PROPERTY

The Foundation has supported a number of projects in recent years that raise issues related to intellectual property. The Foundation's policy is discussed in the 1999 and 1998 annual reports. The statement below, explaining the Foundation's policy—especially as it relates to digital projects—was also issued, on March 16, 2001.

EXPLANATORY STATEMENT ON THE ANDREW W. MELLON FOUNDATION'S INTELLECTUAL PROPERTY POLICY FOR DIGITAL PRODUCTS DEVELOPED WITH FOUNDATION FUNDS

In recent years, the Foundation has witnessed exponential growth in the applications of information technology in virtually all of its program areas, particularly in the field of scholarly communications and in many forms of teaching and learning. With the encouragement of its Trustees, the Foundation has sponsored numerous important projects involving the use of information technology, including the creation of JSTOR (an electronic database of the back files of core scholarly journals), library automation initiatives of many kinds, a wide variety of electronic publications and archiving projects and, most recently, several large projects focused on the digitization of art images.¹ Almost every Foundation project involving the application of information technology has raised significant and often complex intellectual property rights issues. After considerable consultation with grantees and experts, the Foundation has developed a set of principles to govern the ownership and use of intellectual property produced entirely or in part with Foundation funds.

The Foundation first set forth its intellectual property policy in its 1998 Annual Report, and then refined those guidelines in its 1999 Annual Report. Following the initial articulation of that policy, the Foundation has generally sought to reach intellectual property agreements with prospective grantees prior to providing support for the creation or development of digital products. This statement is intended to further inform prospective grantees and other readers of the Foundation's approach to intellectual property developed with Foundation funds and of the Foundation's rationale for the rights that it reserves in such projects.

Central to the Foundation's intellectual property policy is the Foundation's commitment to making high-quality digital resources as broadly available as possible for educational and cultural purposes. While the Foundation has maintained its traditional emphasis in supporting substance and content, rather than technology for its own sake, Foundation staff and Trustees have believed for some time that the Foundation can play an important role in the development and use of technology by various actors and across different communities in ways that will maximize the benefits for education and scholarly research. Foundation staff and Trustees feel that it is important to ensure that certain fields, such as the humanities, and certain types of institutions, including small colleges

and leading foreign institutions, will have access to these applications, so as not to be left behind as new opportunities arise. Additionally, by sponsoring projects that promote collaboration across institutions and disciplines, the Foundation seeks to encourage the sharing of resources, and to avoid the duplication of efforts and unnecessary costs. Put another way, the Foundation expects that grantees will use Foundation resources in ways that will take into account not only the interests of a particular institution, but broader societal objectives, including the reasonable expectations of scholars and the educational and cultural communities at large.

At the same time, the Foundation recognizes that the means by which access is ensured must be consistent with the need to meet the ongoing costs of maintaining and enhancing digital resources. Costs must be recognized explicitly and covered, in some instances by subsidies and in some cases by site licenses or other kinds of modest user fees. The appropriate mix and structure of subsidy and user charges will vary depending on the circumstances, including the nature of the product, the expense of maintaining it, and the sources of funding used to create it. When digital products developed with substantial Foundation funds have significant commercial potential, the Foundation may also require the right to share in the revenue generated (so that it can be reapplied for noncommercial purposes) or have some role in setting user fees for the scholarly community.

Applying those general principles, the Foundation has also developed guidelines governing whether and when it will seek to reserve usage rights to products developed with its funds. As described in the Foundation's 1999 Annual Report, prior to funding a project, the Foundation *will* seek to reserve rights with respect to use, distribution, pricing, and/or revenue sharing when: (a) its investment is substantial; (b) an objective of the grant is to promote wide and equitable access to the intellectual property being created or developed; (c) the property in question can be usefully incorporated in, or linked to, other projects the Foundation is funding; (d) the Foundation is contracting out for the development of a specific product or is the principal architect of the product; and/or (e) significant revenues are anticipated which may be usefully applied to other projects.

The Foundation will generally *not* assert intellectual property rights when: (a) its investment in a project is *de minimis*; (b) the Foundation has no special interest in the subsequent pricing or distribution of a product developed with Foundation funding; and/or (c) the assertion of intellectual property rights would create harmful disincentives to grantees. Additionally, when grantees have expressly committed to principles of use consistent with those of the Foundation, such as when grantees create or develop software pursuant to open source guidelines like those articulated at [http:// www.opensource.org](http://www.opensource.org), the Foundation will not generally seek to reserve usage rights.

When an intellectual property agreement is required, the Foundation generally does not expect to hold the intellectual property ownership rights to products it has funded, except in those instances when digital resources are created at the direction of the Foundation. The creators or providers of the content will retain these rights to the digital products and are free to use them for their own purposes.

The Foundation will seek non-exclusive usage rights intended to ensure broad scholarly access to those digital products. Specifically, it will expect a nonexclusive, royalty-free, perpetual license to incorporate the digital products in other Foundation-sponsored projects and to distribute these products worldwide for educational, cultural, and charitable purposes consistent with the Foundation's programmatic interests.²

While the Foundation seeks usage rights to ensure broad scholarly use wherever appropriate, it takes substantial measures to safeguard the rights of the intellectual property owners. The Foundation's agreements generally provide that if and when the Foundation chooses to exercise a license to use and distribute products for scholarly and educational purposes, the Foundation, or a Foundation designated entity charged with distributing the products, will limit access to users who agree to use the products only for those purposes that are noncommercial and educational and/or scholarly in nature.³ The Foundation's agreements also generally provide for notice of the content owner's copyright, and require, through user agreements, that appropriate permissions be sought directly from the content owner for any reproduction of the digital products other than for noncommercial scholarly and educational reproductions, or other uses authorized by law. In some instances, such as with the creation of JSTOR, the Foundation will also establish and fund the electronic monitoring of digital products to detect any improper uses of those materials.⁴

Some grantees have inquired about the Foundation's need for perpetual, royalty-free usage rights. As stated earlier, the Foundation's goal in undertaking these projects is to create reliable, ongoing, high-quality electronic resources for scholars to use in their scholarship. In the case of digital content, these resources will often serve as the equivalent of a book or an encyclopedia, which scholars must be able to rely on and cite without any concern that such content will later be withdrawn. Similarly, digital tools and techniques may be built in tandem, complementing and relying on the development of digital resources created by other grantees. For these reasons, and because of the significant administrative and technical difficulties presented by institutions that might remove their contributions at various times, the Foundation has required perpetual usage rights. The Foundation has also sought royalty-free rights so that it will not, in effect, pay twice for the products, first for their creation, and then for access to those resources.

Readers will surely have other questions, as this statement is not intended to be exhaustive. However, the Foundation hopes that the statement will provide useful guidance regarding the Foundation's objectives and practices with respect to intellectual property developed with Foundation funds. The Foundation encourages readers with similar goals and interests to provide suggestions and engage in continuing discussions with staff regarding the application of these principles and requirements in particular instances. Readers and potential grantees who have questions about this statement should contact Michele Warman or Gretchen Wagner at (212) 838-8400.

March 16, 2001

Notes

1 A more detailed narrative of the Foundation's activities involving information technology can be found in the 1999 Annual Report, accessible on the Foundation's Website.

2 Additionally, where an institution is digitizing content owned by third parties, the Foundation may require representations from that institution that it has obtained the necessary permissions from the content owners to enter into an agreement with the Foundation.

3 The Foundation itself is ill-equipped to serve the distributive function, and it needs therefore to be able to designate a distributor, who would assume the rights and duties of the Foundation without paying royalties for the use of digital materials that the Foundation helped create. This model was successfully employed in the case of JSTOR. (For more information on JSTOR, see <http://www.jstor.org>.)

4 Examples illustrating the range of intellectual property rights reserved by the Foundation can be found in the Foundation's 1999 Annual Report.